



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

November 28, 2014

Ken May, General Manager
Canyon Fuel Company, LLC
597 South SR24
Salina, Utah 84654

Subject: Completion of Midterm Review, Task ID #4701, Canyon Fuel Company, LLC, Sufco Mine, C/041/0002

Dear Mr. May:

On October 9, 2014, Canyon Fuel Company, LLC was informed that the Division of Oil, Gas and Mining (the Division) had commenced a midterm permit review for the Sufco Mine.

The midterm review has now been completed and will now be closed; however, the Division has identified deficiencies that must be addressed. The deficiencies have been included with this letter (See Attached). The name of the author for each of the respective deficiencies has been provided.

Your response to these deficiencies will need to be submitted as an amendment to your MRP and will be processed as a separate task. Please submit the required amendment with the accompanying C1 and C2 forms by no later than December 31, 2014.

If you have any questions regarding these requirements or the Midterm Review process, please don't hesitate to call me at 801-538-5350.

Sincerely,

Steve Christensen
Permit Supervisor

SKC/sqs
O:\041002.SUF\WG4701\MidtermCompletion.doc





State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0410002
TaskID: 4701
Mine Name: SUFCO MINE
Title: MIDTERM PERMIT REVIEW

General Contents

Permit Application Format and Contents

Deficiencies Details:

R645-301-120 Between pages 5-47 and 5-48 it appears that information is missing. Please submit necessary changes to ensure all content is included.

adaniels

Reclamation Plan

Bonding Determination of Amount

Deficiencies Details:

R645-301-830.140, -830.200, -830.300, & -830.410 The Permittee must provide updated information for the estimated bonding costs with supporting calculations for the estimates. This includes updated unit cost (to be used to update bond calculations spreadsheets) and updated escalation factors. Updates should be provided using the 2014 R.S. Mean Heavy Construction Cost data manual and the Caterpillar Handbook or other appropriate resources. The bond summary and corresponding bond calculation sheets in the MRP need to be updated and appropriately escalated to 2019 dollars using the Division's approved 1.9% and 5 year escalation. The Division approved escalation rate is based on the 5 year average of the U.S. Bureau of Labor Statistics Cost Index for Site Construction.

R645-301-830.400 The Division utilizes the midterm review process to review the individual mine bonds. Various errors were found in the current sheets within the MRP:

- * Edits that decrease the subtotal of individual cost estimate sheets must go through R645-301-880.110-.300 or the Requirements to Release Performance Bonds.
- * Updated various sub sheets that had been removed from the MRP
- * Incorrect R.S. Mean unit cost data was utilized

R645-301-830.422 The Division will provide the permittee an opportunity for an informal conference on the adjustment. In the event the Permittee would like a conference, please contact the Division.

cparker